

STATEMENT OF

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BEFORE THE

COMMITTEE ON GOVERNMENT REFORM
U.S. HOUSE OF REPRESENTATIVES

**LOW CLEARANCE: WHY DID DOD SUDDENLY STOP
PROCESSING PRIVATE SECTOR SECURITY CLEARANCES?**

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BECAUSE IT'S A MATTER OF NATIONAL SECURITY™

Chairman Davis, Ranking Member Waxman, Members of the Committee on Government Reform, thank you for inviting Anteon International Corporation to testify today on an issue that is very troubling to my company and the government contracting community.

My name is Bill Gunst. I am the Vice President of Business Operations for Anteon International Corporation.

Anteon, headquartered in Fairfax, Virginia, is a leading information technology company serving the U.S. Federal government. Anteon designs, integrates, maintains and upgrades state-of-the-art systems for national defense, intelligence, homeland security, and other high priority missions. Anteon was founded in 1976 and currently has almost 10,000 employees in more than 100 locations worldwide.

Anteon performs a significant volume of classified work under contract with the federal government. Consequently, 70% of our employees hold government security clearances.

We have been involved in the security clearance process since our inception and are quite familiar with it. We've seen the security clearance process work well, and we've seen it work poorly. Up until a couple of weeks ago, we had a system where the Defense Security Service (DSS) had the support of OPM to obtain background investigations; after which DSS would adjudicate the request back to us in a reasonable period of time. This process was beginning to show promise.

Over the past few years, with the growth of requirements for clearances from the federal government, stemming in part from the September 11th attacks, other growing demands for cleared people, and the lack of a concerted effort to improve this process, the backlog for security clearance investigations has increased significantly. As you might expect, with this increased demand, the time to obtain a clearance has lengthened from what it was. In the post 9/11 period, the time to process a secret or top secret clearance doubled to 18-24 months.

Our need for clearances is very simple, we are subject to the federal government's -- our customer's -- requirements. If our customers need persons with security clearances to work on a contract, then we must supply them.

In fact, it is not unusual for us to have to assert with many of our bids that we have cleared people ready to work on day 1 of the contract.

This pressure on Anteon and our competitors to hire cleared people, or get technically qualified people cleared quickly, is very real in the federal marketplace. If you cannot fill the need, you lose out on the most fundamental task of bidding on an opportunity and then supporting the customer. No clearances, no contracts.

The freeze on the processing of security clearances in the face of this growing demand from the federal government for clearances has delivered a shock to this delicate system. The freeze is already having very real effects for us and most everyone else in the federal marketplace.

At the time DSS imposed the freeze, Anteon had approximately 1,100 actions pending. If this freeze continues, we expect the number will increase by 150 to 200 actions monthly. The pending actions include people who are brand new to the work place, such as recent college graduates, and persons in the federal marketplace from the commercial sector who need to obtain a security clearance for the first time. The backlog also includes those who need their clearances upgraded to accommodate customer requirements and those who need re-investigation so their clearances can remain current and active.

On a day-to-day basis we are facing 3 fundamental problems, which will get worse with the continuation of this freeze:

- First, obtaining qualified staffing will be impacted – we will be forced to change our hiring practices to, where needed, restrict our hiring to only those people who already have clearances;
- Second, affordability will become an issue – we will need to closely balance being able to afford the limited and shrinking universe of people with security clearances, within the constraints of our fixed labor rate environments; and
- Third, retention could become a growing problem – competition for dwindling qualified staff intensifies as those individuals with security clearances hopscotch their way to higher salaries. On the almost 40% of our contracts that are cost plus, these higher salaries will be passed on to our government customer.

Anteon is in this federal marketplace to satisfy our government customers and to participate in the solution of some of the most challenging national security issues in this country today. The people we attract to these projects have a passion for supporting the U.S. government and in using technology to solve customer missions. They bring a tool box of the best educational background, experience and leading edge technological savvy available in both the federal and commercial marketplace today. Anteon employees work alongside our most dedicated military and civil servants in some of the most hostile environments around the globe. Their qualifications are a direct result of our customer-driven needs.

The need for a properly cleared person is no different than the work experience, educational background and tool sets that we ask our employees to bring to solve these issues. Specific technical skills and work tools are just as important as the ability to get these people proper clearances within a reasonable period of time. To shutdown the process for obtaining security clearances is not much different than a federal mandate to shut down the training or educational systems that allow us to hire experienced and qualified candidates. If we fail to bring, in a very short time frame, fully qualified candidates with proper security clearances to serve our customer, we all lose.

Let me speak to a misunderstood belief that large contractors can deal with this current situation since they maintain a “bench” of cleared employees.

Individuals sitting in a company waiting for assignment to a contract will not be there long. Companies like Anteon have worked long and hard at balancing the mix of competitive salaries and benefits of our direct staff alongside the fragile infrastructure it takes to support them on the job. Federal contractors who strive to provide qualified staff at a fair price cannot afford to “park” individuals with valuable security clearances in indirect accounts. We succeed in this marketplace by providing outstanding and qualified service to our customers at a reasonable price with lean indirect expenses. When we fail consistently to meet any of these criteria, everyone involved in this system fails, including our customers. It destroys our competitive position in the marketplace for bidding purposes as our costs rise, and it is a dollar-for-dollar reduction against the reasonable expectations of our shareholders. This condition is especially relevant for the small business community where limited staffs often wear multiple hats to satisfy the customer.

Should this freeze continue during the upcoming weeks and months, we will be compelled to make decisions that do not best serve the customer. The day will soon arrive when we will need to place the need for a current and active security clearance well ahead of technical skills and educational background in deciding who to hire. With government outsourcing on the rise, coupled with scarce cleared resources,

the cost of a cleared employee will rise, leading to higher operating costs to us and our customers, the federal government. It is inevitable that bid rates will rise when new contracts are competed.

The impact of these downward spiraling conditions cannot be overstated. Fewer cleared people, increased costs to the federal customer, inability to satisfy contract terms, and the potential exit of firms currently in the federal marketplace could have serious consequences.

This current freeze is all the more baffling after the recent successful work to make the system more responsive to serve all those involved. The current security clearance process has been shown to work and was improving. Mr. Chairman, in October I joined you, your staff, and others from the contracting community in a meeting with Clay Johnson in the OEOB to discuss the status of clearance processing at OPM. Real progress was being made and hard targets were being established and met. The number of pending background investigations more than 120 days old dropped from 185,000 in February 2005 to 110,000 in September 2005 with over 8,000 combined federal and private employees involved in the process. A goal to close 80% of OPM investigations within 90 days at the end of 2006 was within reach. Last October, most all of us left that meeting with a firm belief that we were turning the corner and would see continued improvements in the security clearance process. The infrastructure and outsourcing tools to insure continued improvements in the system were in place and working, and those persons leading this effort had the commitment to get it done -- correctly. At one time, fixing the process was the challenge, and funding was not a major issue. We collectively improved the process and had the commitment of those involved. And now, our attention has turned to an unanticipated funding shortfall.

If this freeze continues much longer, most of the progress made in past months will be lost. An untenable backlog will be imposed on those conducting the reviews, and the ability to achieve any clearance processing goals will be impossible. Further, an even greater burden will be placed on those involved in the security clearance process that will eventually impact the work needed to preserve our national security here and abroad.

Mr. Chairman, thank you for giving me the opportunity to testify today. I am available to respond to your questions.